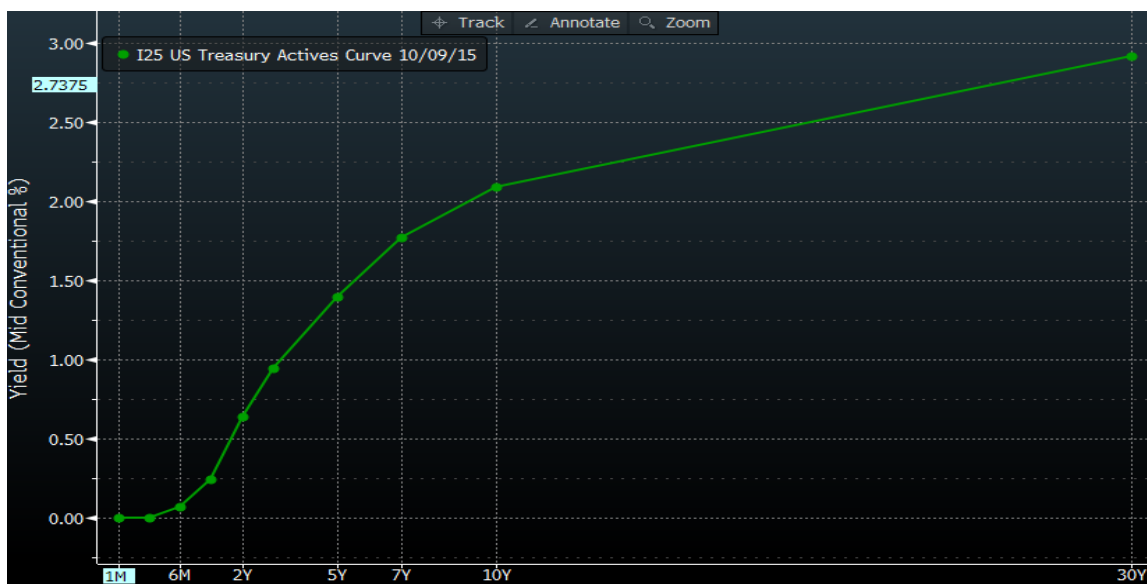
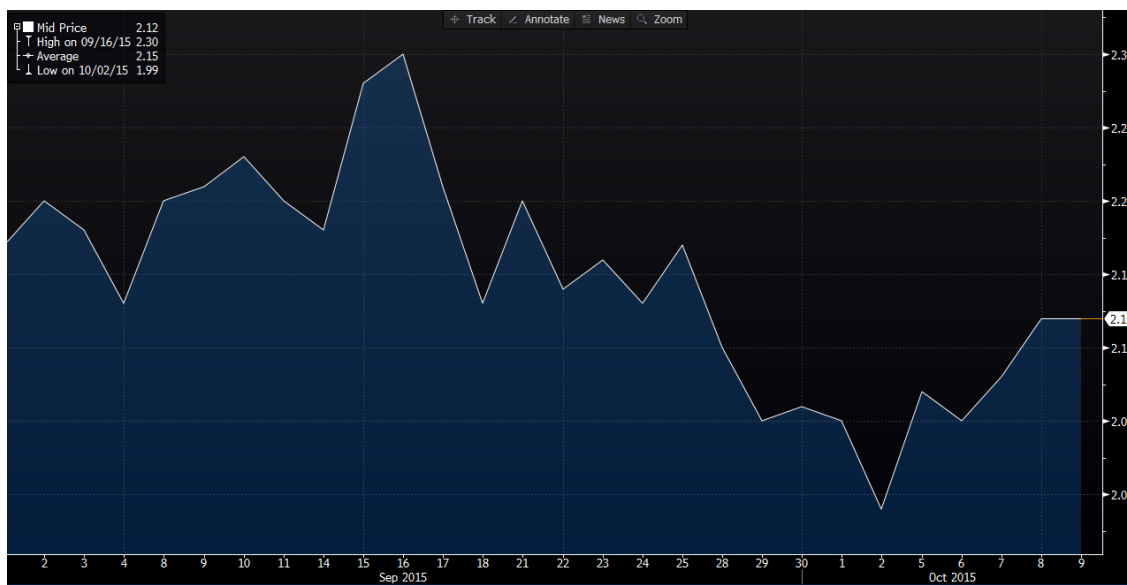


Bond Market

This Week, The US Treasury Bond price have dropped, which sent the yields to increase to the largest weekly increase since August. Indeed, the low oil prices and the strong dollar had made the investors selling their government bond to buy riskier assets. The yield on benchmark 10 year treasury note rose 10.9 bps to reach 2.10%, its biggest one week increase since late August, even if it had loose 9bp on Friday after a 2 week high because of the slowdown of us equities. The 30-year yield, which stood at 2.82% last week rose to 2.94%. Concerning the 2-year maturities, the yields gained 6.5 bps this week to reach a yield of 0.65%. Inflation rate is way below the 2% expected by the FED (Mostly due to the low oil price and the strong dollar) however; policymakers still expected an increase in rate before the end of the year. The market is doubting the raise of short term interest rates before the end of the year since the Treasury Department auctioned for the first time new 3 months treasury bills at a yield of 0.0%.



What's next and key earnings

On Tuesday October 13th the US government will release the monthly treasury budget. This will release the surplus or the deficit of the federal government for the month of September. This is often used as an indicator for future budget trends or fiscal policy. Forecasters are expected a budget surplus of \$95B, which is inferior compare to last year but superior compare to August but enough to finish a positive year.

On Wednesday October 14th, Both the Retail sales and the Producer Price Index will be released. Retail Sales measures both durable and non-durable portions of consumer spending. Normally, consumer spending counts for around 2/3 of GDP, which is why this is important for the economic growth. The PPI measure the change of prices received by producers of goods & services.

On Thursday October 15th, the Consumer Price Index will be released. It measures the change of price of services, goods purchased by consumers. It is a key way to determine inflation.

On Friday October 16th, the Industrial Production will be released. It covers manufacturing, electric and gas utilities and mining. This sector represents less than 20% of the market but it accounts for most of the variation in domestic production during the business cycle.